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How advisors should guide clients who become unexpected caregivers

By Rob Burgess
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Financial advisors are used to life emergencies forcing revisions to a financial plan, but sometimes the situations can be especially jarring — for both advisors and the clients.

Tom West, senior partner at Signature Estate & Investment Advisors in Los Angeles, said that beyond the human tragedy, these situations can require that clients become unexpected caregivers, necessitating major adjustments to financial plans.

Most recently, clients in their mid-70s experienced the unexpected deaths of their son and daughter-in-law in an accident, leaving them responsible for their 7-year-old grandson.

"Finding themselves unexpected caregivers, they weren't asking about returns on the investments," he said. "They were asking about, 'How do we even afford this?' and, 'How am I supposed to do this when we might not live to college graduation?'"

Even though no one can predict the future, experts say advisors can help clients prepare for these sudden changes in circumstances before they happen.

First things first

When emergencies like these occur, advisors should triage the situation for their clients.

For example, when West spoke to his client couple in crisis, he said he reframed it as: "Secure the floor, maintain flexibility and identify and preserve options."

West said he then explored the new hierarchy of priorities by asking, "What are you most hopeful for now that we are in a new situation?

"By connecting with them at this level, we supported their agency and enabled their ability to make difficult decisions," he said.

The most important of these was selecting successor guardians in the event they weren't able to continue in the role, said West. Ultimately, the clients selected friends of their lost son and daughter-in-law who were parents already, rather than another family member.

Behind the curtain, West said they stress-tested living costs, college expenses and conservative withdrawals to cover predictable child-rearing expenses. He

also modeled various estate planning options for them, given that their circumstances were more complex without an immediate next generation to inherit.

"We documented each analysis, knowing that we might revisit our recommendations later, perhaps decades down the road," he said.

Add it up

For clients finding themselves in unexpected caretaking roles, expenses can add up quickly. West said these can include needing a larger home or renovations, an extra vehicle, higher utility bills and grocery costs, after-school care, summer camps, transportation to activities, guardianship filings, custody agreements, updating estate plans, adding dependents to health insurance, therapy or counseling, tuition, tutoring, extracurriculars, technology and college savings.

"The real issue isn't the line items — it's timing," he said. "These expenses arrive all at once, during an emotionally charged moment, and force decisions without preparation."

Evan Farr, certified elder law attorney, retirement planner and founder of the Farr Law Firm in Fairfax, Virginia, said he sees the effects of sudden caregiving responsibilities every day. He said most often it's adult children suddenly having to take care of an aging parent.

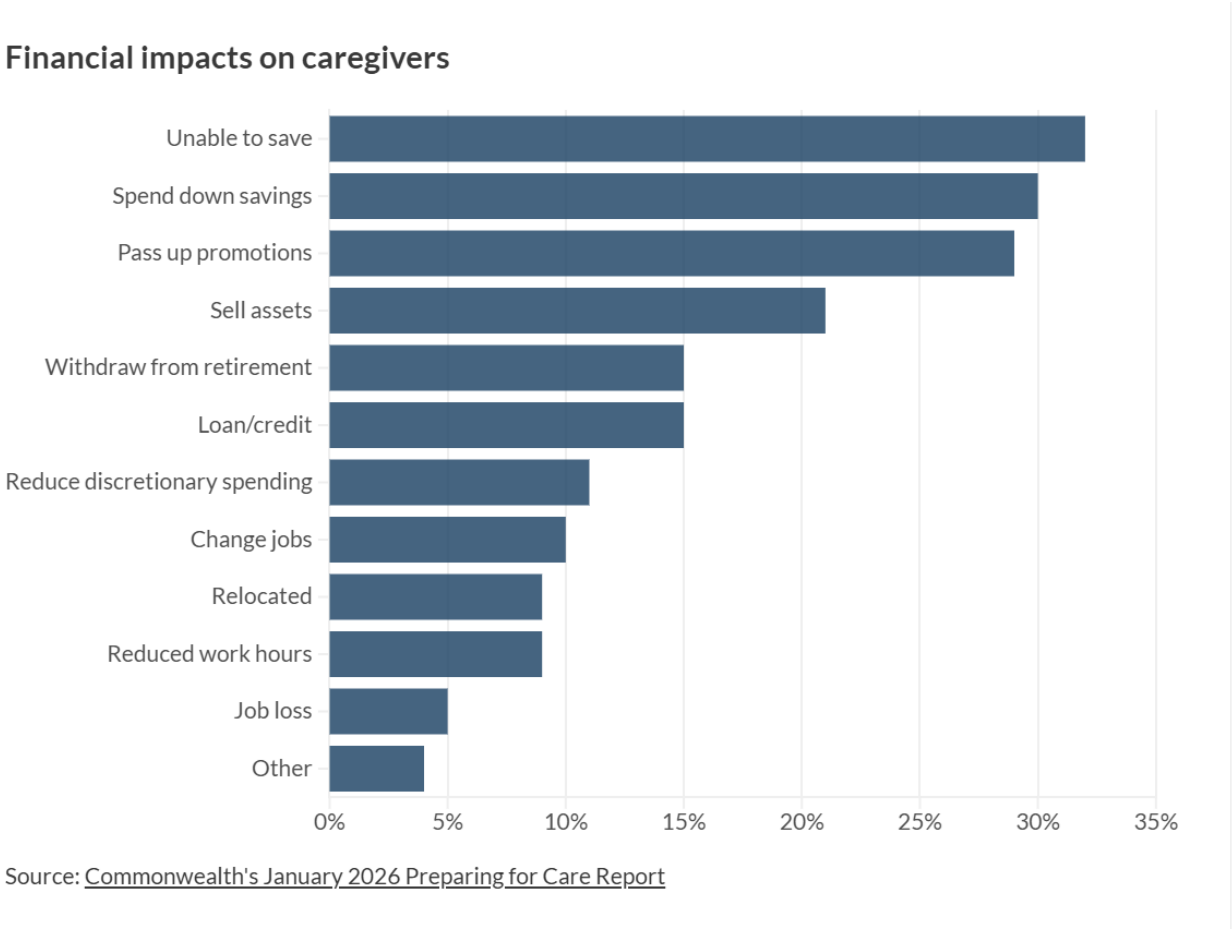
"The financial shock can be immediate and devastating," he said.

Farr said in that case, sudden costs can include aides to assist parents in their homes, assisted living facilities, nursing home care, modifications to their homes, transportation and coordinating their care and lost wages if adult children must cut back on employment.

Advisors must act quickly to adjust the client's financial plan to account for the increased expenses, he said.

Farr said these changes can include updating the client's retirement projections based on a revised budget and spending plan, deciding if they should continue with Roth conversions or taxable withdrawals, prioritizing liquidity over long-term growth, coordinating with attorneys, reviewing and updating estate plans and identifying gaps in their insurance coverage.

"At that point, it is no longer about optimizing the client's financial plan but rather stabilizing it," he said. "Sudden caregiving responsibility, whether it be for an elderly parent or a minor child, is rarely a minor adjustment to a client's financial plan. If not approached proactively and strategically, it can completely derail a client's financial plan."



'Clarity reduces conflict'

Brian J. Lasher, managing director at Euclid Harding in New York City, said in the last year, he has supported several clients who suddenly became caregivers for a spouse.

The most overlooked cost in spousal caregiving is lost time and productivity, said Lasher.

"It's rarely part of the initial conversation, but it becomes one of the biggest financial ripple effects," he said. "Even high net worth families underestimate how quickly care-related expenses escalate — equipment, home modifications, in-home support, temporary housing — all at once."

West said he always asks clients, "Who is your 3 a.m. call?' and, "If something goes wrong with your plan of care, what would it most likely be?"

"Those two questions typically get more active participation in planning than some esoteric scenario in a financial plan," he said.

Treating future caregiving as a probability, not an anomaly, helps to make the unexpected more expected, said Lasher. Before a crisis hits, he said advisors

should ask families to map their roles by asking: "Who coordinates care? Who manages logistics? Who handles financial decisions?"

"Clarity reduces conflict and speeds up action," he said. "Documenting values and intentions is as important as documenting assets."